

eHome "Boot Camp"

Product and Business Orientation

for MSR 2/7/07

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Windows Media Center

A new platform for the digital home



- Simple User Experience
- 10' Applications and Services
- Connected Devices



Executive Summary

➤ Strengths

- We're headlights/leading the market with the best 10⁺ (media) entertainment experience
- Track record of annual releases
- Hitting mass market volumes in the US & driving mix shift revenue to Windows
 - 20% (\$81M) in FY06
 - Vista Premium mix shift 34% (\$148M) in FY07
- Changing consumer behavior with new benefits/scenarios
- Positive contribution margin

➤ Challenges



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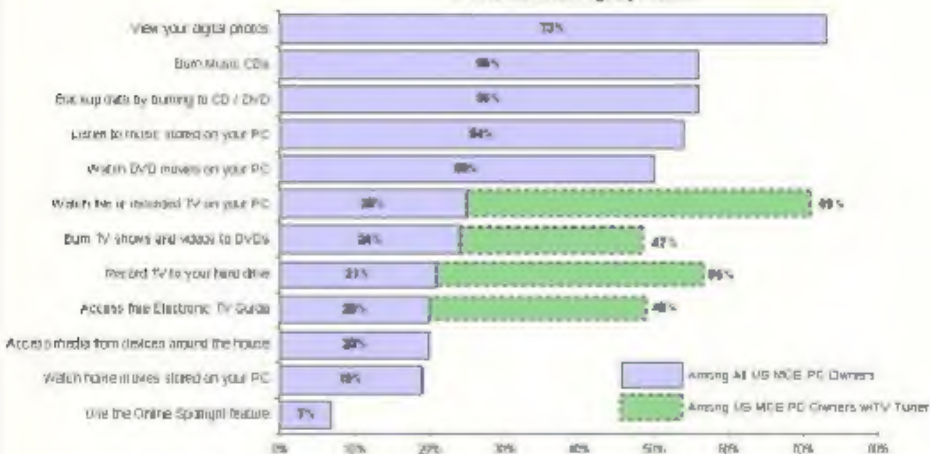
➤ Challenges

- Don't really have a product for the living room (issues with target device, networking)
- Weak sales outside the US and on LT (need to expand attach rate to LT)
- While eHome is innovating fast for an OS, we need to move faster to compete effectively in the consumer space (w/Yahoo, Google, Apple)
 - Overall success will require overall plan for 2' and 10' media experiences
- COA business model will hit ceiling & business model is at risk
- Building TV support is currently very expensive and does not scale efficiently (dev, EPG)
- Pull levers that drive up usage (& ensure demand independent of OEM funding efforts)
 - Awareness and understanding
 - HW peripheral attach (tuners, remotes)
 - IP services attach and usage



Overall US MCE Features Have High Usage

Overall US MCE Usage By Feature



US: WHICH, IF ANY, OF THESE ACTIVITIES HAVE YOU EVER DONE ON A MULTIMEDIA-CAPABLE PC?
USE NOW EITHER DO YOU DO EACH OF THE FOLLOWING ACTIVITIES USING THE MEDIA CENTER NOW AND THE ADAPTED EDITION OR NOT?

N=1,532



Customer Funnel: MCE Drives Entertainment Usage and Strong Re-purchase Intent

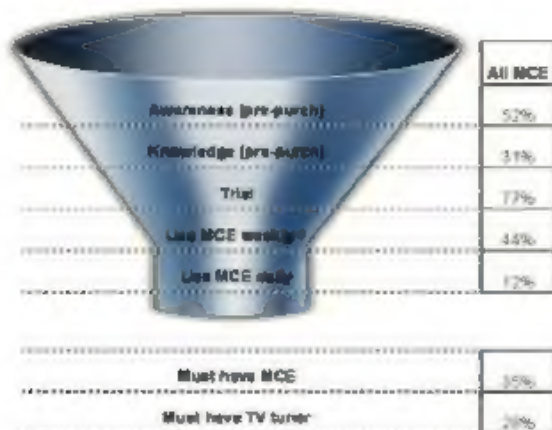


Must have MCE

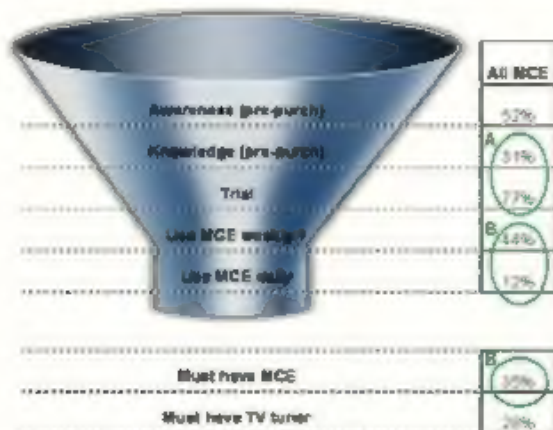
Must have TV tuner



Customer Funnel: MCE Drives Entertainment Usage and Strong Re-purchase Intent



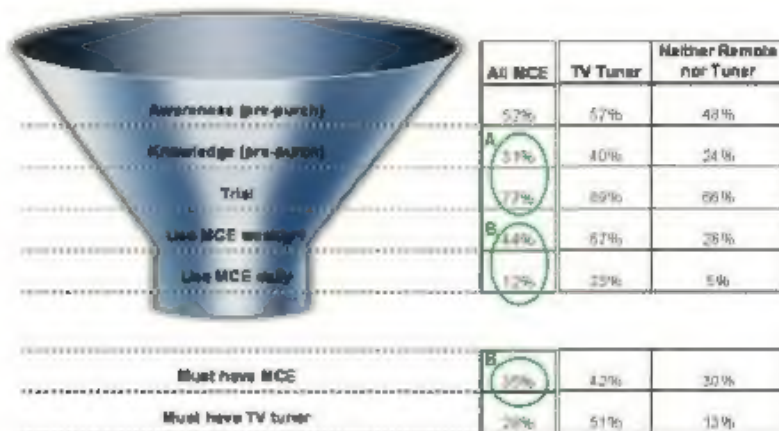
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- A. Distribution is driving awareness vs marketing
- B. Usage and repurchase intent are strong



Customer Funnel: MCE Drives Entertainment Usage and Strong Re-purchase Intent



- A. Distribution is driving awareness vs marketing
- B. Usage and repurchase intent are strong



Media Center In Windows Vista



Broader availability



High Definition digital TV... Cable!



Next-Gen user experience



Platform advancements



Whole home distribution



Demo

Windows Vista Premium/Ultimate Edition – MCE Features

- Innovative new UX
- Showtime 10 Application
- Sports Portal



Program Manager

Online Media







Sports

Online Media

2010-01-01 11:36 AM
1/1/2010 11:36 AM



1/1/2010



Under the
Installed



PICTURES & VIDEO



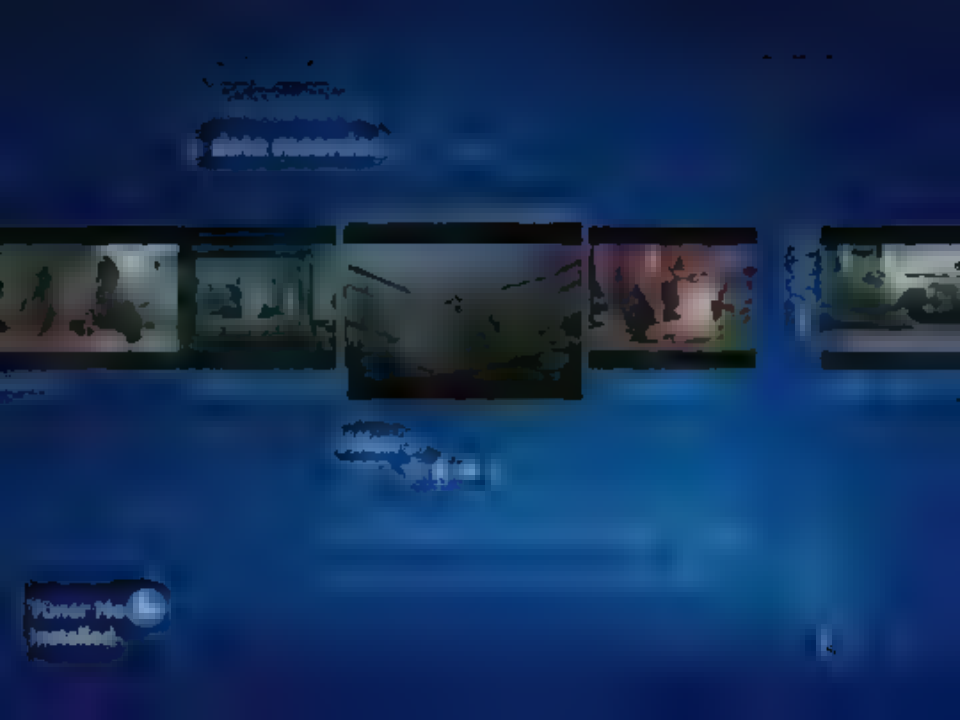
Video





10/10/10





Windows

File Name

Control Panel

Recent

Desktop

My Computer

Start > Programs > Windows

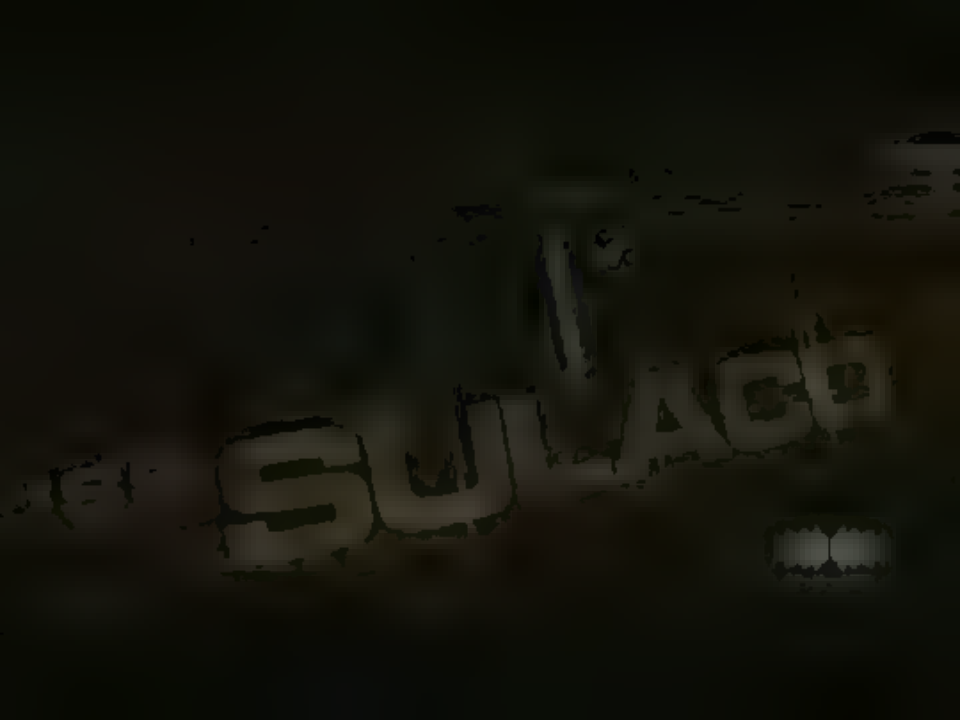
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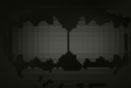


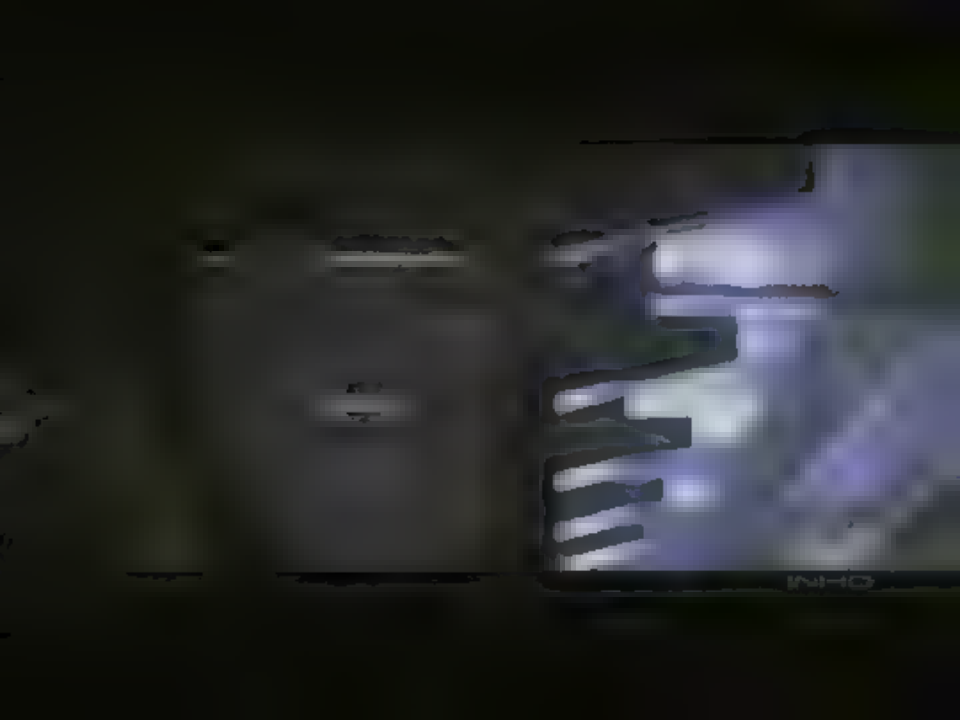
CHARLES S. DUTTON



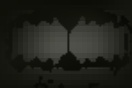


CHARLES DANCE



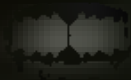


PAUL MCGANN





BRIAN GLOVER



RALPH BROWN





TV + Movies



11-02-2007

11-02-2007

eHome Goals: Next 4-5 years



eHome Goals: Next 4-5 years

1. Mobile Staff

- Complete all work that is well understood
- Japan & Europe - desktops
- Laptop - worldwide

eHome Goals: Next 4-5 years

1. More Staff

- Complete the work that is well underway
- Japan & Europe - desktops
- Laptop - worldwide

eHome Goals: Next 4-5 years

2. Increase the number of users to 10 million

3. Increase the number of users to 10 million by the end of 2005

4. ISV Apps & Services

5. Increase the number of users to 10 million by the end of 2005

1. Mix Shift

- Complete the work that is not underway
- Japan & Europe - desktops
- Laptop - worldwide

eHome Goals: Next 4-5 years

2. Volume Usage of our platform & experience

End-users spending minutes using the features and technologies we build with partners

- MCE native experience... with TV... with NetOp premium TV
- ISV Apps & Services
- Extender devices multiplying minutes of use for all the above

Strategic



1. Mix Shift

Complete the work that's well underway...

- Japan & Europe (desktops)
- Laptop (worldwide)



eHome Goals: Next 4-5 years

3. Experiment to Create a new Service Revenue Stream

Building on volume usage, monetize our experience as a service in conjunction with

Appo, Windows Live, MSN

- Sponsored links / paid referrals
- Marketing (user demographic info for advertising)
- Advertising (display ads, contextual ads, etc.)?
- End-user subscription?



Revenue!

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Bitstream



1. Mix Shift

Complete the work that's well underway...

- Japan & Europe (desktops)
- Laptop (worldwide)



Revenue!

eHome Goals: Next 4-5 years

4. Contribute to MS win in Living Room

Contribute technologies and/or whole products to enhance MS strategic position in the Living Room.

- Technologies delivered to or shared across E&D: (3D TV? Ad?)
- Product synergy with Xbox, MSTV, Apps
- Future living-room devices (service & supported)
- Expected MCE?

3. Experiment to Create a new Service Revenue Stream

Building on volume usage, monetize our experience as a service in conjunction with:

Apps, Windows Live, MSN

- Sponsored links / paid referrals
- Realtime user demographics info for advertisers
- Advertising (header ads, contextual ads, etc.)
- End-user subscription?



Revenue!

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- ISV Apps & Services
- Extender devices multiplying minutes of use for all the above

Strategic



1. Mix Shift

Complete the work that's well underway...

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- Laptop (worldwide)



Revenue!

eHome Goals: Next 4-5 years

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- Technologies delivered to or shared across E&D: (3D TV, Ad?)
- Product synergies with Xbox, MSN, Apps
- Future living-room device(s) (service & supported)
- Embedded MCE?

Strategic



3. Experiment to Create a new Service Revenue Stream

Building on volume usage, monetize our experience as a service in conjunction with

Apps: Windows Live, MSN

- Sponsored links / paid referrals
- Rich/cheap user demographic info for advertisers
- Advertising (video ads, contextual ads, etc.)
- End-user subscription?



Revenue!

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End-users spending minutes using the features and technologies we build with partners.

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Strategic



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Revenue!